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PERCHLOROETHYLENE FROM BELGIUM, FRANCE, AND ITALY

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Determination of "A Reasonable Indication of Injury" in Inquiries Nos. AA1921-Inq.-14, AA1921-15, and AA1921- Inq.-16 Under the Antidumping Act, 1921, as Amended

ORIGINAL

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I

UNITED STATES INTERNATIONAL TRADE COMMISSION

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Bill Alberger, Vice Chairman
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Catherine Bedell
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II

Antidumping Act upon receipt of a complaint from PPG Industries, Inc., Stauffer Chemical Co., Diamond Shamrock Corp., Vulcan Materials Co., and Dow Chemical U.S.A.

Perchloroethylene is a clear, heavy, nonflammable liquid used primarily as a drycleaning and industrial solvent and as an intermediate in the synthesis of other chemicals. Drycleaning consumes more than 75 percent of U.S. perchloroethylene production and imports.

At least seven domestic firms produce perchloroethylene at 10 plant sites, most of which are in Texas and Louisiana. One small producer ceased production in March of this year.

There were approximately 15 importers of perchloroethylene in 1977, located primarily in New York. The vast majority of perchloroethylene imported into the United States is produced in the three countries under consideration and Canada.

Data gathered by the Commission indicate a downward trend in the profitability of U.S. producers on their perchloroethylene operations and a decline in capacity utilization. Upward trends are evident in the number of production and related workers producing perchloroethylene and in the ratio of inventories to shipments.

As a share of total consumption in the United States, imports of perchloroethylene from Belgium, France, and Italy increased from 2.2 percent in 1974 to 6.1 percent in 1977 and decreased to 4.1 percent in January-June 1978. With respect to consumption in the northeastern region of the United States, alleged LTFV

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USITC REPORTS ON DUMPING INQUIRIES ON PERCHLOROETHYLENE FROM BELGIUM, FRANCE, AND ITALY

Treasury Investigations To Continue

The United States International Trade Commission today notified the Secretary of the Treasury that the pending Treasury Department inquiries on perchloroethylene from Belgium, France, and Italy under the Antidumping Act, 1921, should not be terminated.

The Commission had been asked to determine if there was no reasonable indication of injury or the likelihood of injury to an industry in the United States from imports of such product allegedly sold at less than fair value (LTFV). The Commission, which instituted its inquiries on July 24, 1978, determined that there was a reasonable indication of injury or the likelihood thereof.

Chairman Joseph O. Parker and Commissioners George M. Moore and Catherine Bedell concurred in the determinations. Vice Chairman Bill Alberger and Commissioner Italo H. Ablondi dissented. Commissioner Daniel Minchew did not participate.

As a result of the determinations, the Treasury Department will continue its investigations, which it instituted under the

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imports increased from 8.7 percent in 1974 to 27.6 percent in 1977 and fell to 20.8 percent in January-June 1978.

Average weighted prices for perchloroethylene both inside and outside the northeast market have declined substantially since 1976.

The Commission's report, Perchloroethylene From Belgium, France, and Italy (USITC Publication 904), contains the views of the Commissioners and information developed in the inquiries (Nos. AA1921-Inq.-14, AA1921-Inq.-15, and AA1921-Inq.-16). Copies may be obtained by calling (202) 523-5178 or from the Office of the Secretary, 701 E Street NW., Washington, D.C. 20436.

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UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

[AA1921-Inq.-14, AA1921-Inq.-15, and AA1921-Inq.-16]

PERCHLOROETHYLENE FROM BELGIUM, FRANCE, AND ITALY

Commission Determines "A Reasonable Indication of Injury"

On July 19, 1978, the United States International Trade Commission received advice from the Department of the Treasury that, in accordance with section 201(c)(1) of the Antidumping Act of 1921, as amended, antidumping investigations were being initiated with respect to perchloroethylene from Belgium, France, and Italy, and that, pursuant to section 201(c)(2) of the act, information developed during Treasury's preliminary investigations led to the conclusion that there is substantial doubt that an industry in the United States is being or is likely to be injured by reason of the importation of such perchloroethylene into the United States from Belgium, France, or Italy. Accordingly, the Commission, on July 24, 1978, instituted inquiries Nos. AA1921-Inq.-14, AA1921-Inq.-15, and AA1921-Inq.-16 under section 201(c)(2) of the act to determine whether there is no reasonable indication that an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

A public hearing was held on August 4, 1978, in Washington, D.C. Public notice of both the institution of the inquiries and of the hearing was duly given by posting copies of the notice at the Secretary's office in the Commission in Washington, D.C., and at the Commission's office in New York City, and by publishing the original notice in the Federal Register on July 31, 1978 (43 F.R. 33350).

The Treasury Department instituted its investigations after receiving a properly filed complaint on June 16, 1978, from counsel acting on behalf of PPG Industries, Inc., Pittsburgh, Pa., Stauffer Chemical Co., Westport, Conn., Diamond Shamrock Corp., Cleveland, Ohio, Vulcan Materials Co., Birmingham, Ala., and Dow Chemical U.S.A., Midland, Mich. The Treasury's notice of its antidumping proceeding was published in the Federal Register of July 24, 1978 (43 F.R. 32009).

On the basis of information developed during the course of these inquiries the Commission determines that there is a reasonable indication that an industry in the United States is being or is likely to be injured by reason of the importation of perchloroethylene into the United States from Belgium, France, and Italy allegedly sold at less than fair value as indicated by the Department of the Treasury. 1/

1/ Commissioners George M. Moore and Catherine Bedell determine that, on the basis of information developed during the course of these inquiries, there is a reasonable indication that an industry in the United States is being, or is likely to be injured by reason of the importation of perchloroethylene from Belgium, France, and Italy, allegedly sold at less than fair value as indicated by the Department of the Treasury. Chairman Joseph O. Parker used the statutory language in his vote and does not determine that there is no reasonable indication that an industry in the United States is being or is likely to be injured by reason of the importation of perchloroethylene from Belgium, France, and Italy, allegedly sold at less than fair value, as indicated by the Department of the Treasury. Vice Chairman Bill Alberger and Commissioner Italo H. Ablondi determine that there is no reasonable indication that an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of perchloroethylene from Belgium, France, and Italy, allegedly sold at less than fair value as indicated by the Department of the Treasury. Commissioner Daniel Minchew did not participate in the determinations.

Views of Chairman Joseph O. Parker and
Commissioners George M. Moore and Catherine Bedell

On July 19, 1978, the United States International Trade Commission received advice from the Department of the Treasury that, during the course of a preliminary investigation with respect to perchloroethylene from Belgium, France, and Italy, Treasury had concluded from the information available to it "that there is substantial doubt that an industry in the United States is being, or is likely to be, injured by reason of the importation of this merchandise into the United States." Acting upon this advice, the Commission, on July 24, 1978, instituted inquiries Nos. AA1921-Inq.-14, AA1921-Inq.-15, and AA1921-Inq.-16 under section 201(c)(2) of the Antidumping Act, 1921, as amended, to determine whether there is no reasonable indication that an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States. Treasury's preliminary antidumping investigation with respect to which the advice was received was initiated on the basis of a petition filed with Treasury by five domestic producers of perchloroethylene.

Determination

On the basis of information developed during the course of inquiries Nos. AA1921-Inq.-14, AA1921-Inq.-15, and AA1921-Inq.-16, we determine that the standards set forth in section 201(c)(2) of the Antidumping Act, 1921, as amended, for continuing the investigations have been met.

Discussion

In the petition filed with the Department of the Treasury, petitioners alleged that perchloroethylene imported into the United States from Belgium, France, and Italy is being sold at prices equivalent to LTFV margins of approximately 43 percent, 47 percent, and 39 percent, respectively. Imports into the United States of perchloroethylene from these three countries increased from 15 million pounds in 1974 to 41 million pounds in 1977, or about 170 percent. The ratio of such imports to apparent U.S. consumption increased from 2.2 percent in 1974 to more than 6 percent in 1976 and 1977. Alleged LTFV imports from Belgium increased from 1.3 million pounds in 1974 (0.2 percent of apparent U.S. consumption) to 13.6 million pounds in 1977 (2 percent of U.S. consumption). Alleged LTFV imports from France amounted to 13.1 million pounds in 1977, and accounted for at least 2 percent of apparent U.S. consumption each year during 1974-77. Alleged LTFV imports from Italy amounted to 11.5 million pounds in 1976 and 14.1 million pounds, or 2.1 percent of apparent U.S. consumption in 1977. There were no such imports in 1975.

Virtually all imports of perchloroethylene from the three countries enter the United States through ports in the Northeast. According to testimony at the Commission hearing, these imports are all sold within a 200-mile radius of the port of entry. 1/ Thus, the impact of the imports allegedly sold at LTFV is much greater in the Northeast market. The ratio of imports allegedly sold at LTFV to domestic consumption in the Northeast

1/ Transcript of the hearing, Aug. 4, 1978, pp. 10 and 80.

market increased irregularly from about 9 percent in 1974 to about 28 percent in 1977.

U.S. production of perchloroethylene was irregular during 1974-77. Production in 1977 was slightly below that in 1976 and about 7 percent below that in 1974. U.S. producers' shipments followed a similar pattern; they were slightly lower in 1977 than in 1976 and about 9 percent below the 1974 level.

Between 1974 and 1977, apparent consumption of perchloroethylene in the Northeast market declined by about 30 million pounds, or about 16 percent. U.S. producers' shipments into this market, however, fell from 162 million pounds in 1974 to 107 million pounds in 1977, or by 34 percent.

While perchloroethylene is manufactured in several grades depending upon its end use, drycleaning-grade perchloroethylene accounts for more than 75 percent of consumption. Therefore, the prices of this grade of perchloroethylene are generally representative of prices in the perchloroethylene market as a whole. Data gathered during the Commission's inquiries indicate that the average weighted price of drycleaning-grade perchloroethylene in both the national and Northeast markets declined sharply from the first quarter of 1976 to the second quarter of 1977. In general, average weighted prices in both markets were about 14 cents per pound in 1976 and have since declined to about 9 cents per pound.

There has also been a deterioration in the profitability of U.S. firms in the production of perchloroethylene. Data reported to the Commission by six U.S. producers on their perchloroethylene operations indicate that profit declined from about $28 million in 1974, or about 40 percent of net

sales, to $13 million in 1976, or about 18 percent of net sales. A net loss of about $1 million was experienced in 1977, equivalent to 1.6 percent of net sales. All but two producers indicated losses since 1977.

At least three domestic producers alleged specific instances of lost sales to imports allegedly sold at LTFV. Of the purchasers identified, all verified that perchloroethylene had been purchased from Belgium, France, and Italy. Most purchasers indicated that price was the primary reason for purchasing the imported product.

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Statement of Reasons of Commissioner Bill Alberger 1/

Statutory criteria of section 201(c)(2)

If the Secretary of the Treasury concludes during a preliminary investigation under the Antidumping Act, 1921, as amended, that there is substantial doubt regarding possible injury to an industry in the United States, he shall forward to the U.S. International Trade Commission (Commission) his reasons for such doubt. Within 30 days of receipt of the Secretary's reasons, the Commission shall determine whether there is no reasonable indication that an industry in the United States is being or is likely to be injured, or is prevented from being established, 2/ by reason of the importation of merchandise allegedly sold in the United States at less than fair value (LTFV). Therefore, the Commission, on July 24, 1978, instituted inquiries AA1921-Inq.-14, AA1921-Inq.-15, and AA1921-Inq.-16, under section 201(c)(2) of that act, concerning perchloroethylene from Belgium, France and Italy.

Determination

On the basis of information developed during the course of these inquiries, I determine that there is no reasonable indication that an industry in the United States is being or is likely to be injured by reason of the importation of perchloroethylene into the United States from Belgium, France and Italy allegedly sold at less than fair value, as indicated by the Department of Treasury.

1/ Commissioner Italo H. Ablondi concurs with the result.

2/ Prevention of the establishment of an industry is not a question in these inquiries and will not be discussed further.

Discussion

The imported article and the domestic industry

Perchloroethylene is a clear, heavy (1.6 times heavier than water), chlorinated, non-flammable liquid used primarily as a dry cleaning and industrial solvent, and as an intermediate in the synthesis of other chemicals. There are presently seven major producers 1/ and sellers of perchloroethylene in the domestic industry operating plant sites which are located mostly in Texas and Louisiana. Five of these seven companies, PPG Industries, Inc., Stauffer Chemical Company, Diamond Shamrock Corporation, Vulcan Materials Company, and Dow Chemical U.S.A., supported the petition as explained in an affidavit which was filed with the Commission. No explanation could be given by the complainants as to why the two remaining companies, DuPont Inc., and the Ethyl Corporation did not join the petition; however, the five named companies represent nearly all of the domestic perchloroethylene industry in terms of sales, production and employment.

Information received from the Department of Treasury on LTFV sales

The Department of Treasury advised the Commission that the petitioners alleged margins of sales at less than fair value of as much as 43%, 47%, and 39% with respect to imports of perchloroethylene from Belgium, France, and Italy, respectively.

1/ One domestic company, Hooker Chemical Company, ceased production of perchloroethylene in March 1978.

No reasonable indication of injury or likelihood of injury to U.S. industry

Imports from Belgium, France and Italy.--Since 1974, imports of perchloroethylene from Belgium, France, and Italy increased from 15.4 million pounds to 45.4 million pounds in 1976, then decreased in 1977 to 40.8 million pounds, 6.1% of the total U.S. consumption. Imports from these countries continue to decline with only 14.5 million pounds being imported in the January-June 1978 period, 10.2 million pounds less than in the first six months of 1977.

U.S. production and shipments.--U.S. production of perchloroethylene has remained relatively stable over the past 3 years with an increase from 668 million pounds in 1975 to 683 million pounds in 1976 and a decline back to 672 million pounds in 1977. This period of 1975-77 does represent an overall decline from the 720.7 million pounds produced in 1974; however, 1974 was considered an unusually good year by many industry sources. Production for the first half of 1978 shows an increase of 25.4 million pounds over the quantity produced in the corresponding period of 1977. Shipments follow a similar pattern, but lagged behind production in 1977 as inventories rose.

Utilization of productive capacity.--Capacity utilization has remained relatively stable over the past 3 years, after a slight decline from 61.6% in 1974 to 57% in 1975. With 1974 being such a good year and stated capacity utilization being so low, capacity may be beyond reasonable levels of demand.

U.S. producers' inventories.--U.S. producers' inventories increased from 68 million pounds on December 31, 1974 to 167 million pounds on December 31, 1977. It should be noted that a large proportion of the inventories since 1975 are accounted for by only one company.

Employment.--The data available shows that employment has remained relatively stable with the average number of production and related workers producing perchloroethylene increasing slightly from 434 in 1974 to 449 in January-June 1978.

Profitability.--The profitability of perchloroethylene producers, in general, has shown downward trends since 1974. All the domestic producers reported net profits, although declining, through 1976. One producer reported substantial net profits for 1977 and for the period of January-June 1978 while generally pricing above the lowest priced import and domestic competitors. The degree of profitability of U.S. producers has been affected by the increase in production costs from an average of 5.8¢ per pound in 1974 to an average of 11.7¢ per pound in 1977. The average production cost, however, has decreased more recently from this 11.7¢ per pound in 1977 to 10.6¢ per pound in January-June 1978, when domestic producers report severe losses. In addition, production costs increased the greatest, from an average of 5.8¢ per pound in 1974 to 9.4¢ per pound in 1975 and up to 11.0¢ per pound in 1976 (the peak year of alleged LTFV imports), while the industry was reporting the highest profits.

Market share.--The ratio of alleged LTFV imports to U.S. consumption has shown downward trends since 1976 both nationally and in the northeast market. Alleged LTFV imports have declined from 6.8% of total consumption in 1976 to 4.1% in January-June 1978, and from 31.3% to 20.8% during the same periods when considering the northeast region alone. 1/

Exports.--In some years (1974, 1975, and the first six months of 1978), exports have actually exceeded imports.

1/ The northeast region includes the states of Maine, New Hampshire, Vermont, Massachusetts, Connecticut, Rhode Island, New York, New Jersey, and Pennsylvania.

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Lost sales.--Three producers cited lost sales to Belgian, French, and/or Italian imports of perchloroethylene. Of the purchasers contacted, all verified that they had purchased imported perchloroethylene on occasion and indicated price as their primary reason, however, the majority of the purchasers also stated that they believed U.S. producers had initiated the downward price trend since about mid-1976. Since the market share of alleged LTFV imports is down, as is their volume of sales, importers must have lost sales to the domestic industry as well.

Prices.--Data compiled by the Commission do not support the contention that U.S. producers have been forced to lower their prices solely as a result of price reductions by importers of perchloroethylene from Belgium, France, and Italy. To the contrary, evidence gathered by the Commission indicates that it was the U.S. producers that had initiated the downward price trend of the last two years (for most of the time since 1976, U.S. producers show a lower aggregate weighted average price). Particularly in the last two years, the domestic producers are seemingly the price leaders in that statistics show that 50% of the time during 1977 and 67% of the time during January-June 1978, U.S. producers had a price in the northeast market lower than importers.

Data also show that outside the northeast market, some producers had lower weighted average prices than any importer's price within the northeast market in every bimonthly period from September-October 1977 to May-June 1978. The regional market injury allegation presented by the petitioners is weakened further by the data showing that since November-December 1977, one U.S. producer has had a lower weighted average price outside the northeast region, where there is no competition from alleged LTFV imports, than any source of perchloroethylene inside or outside the northeast market.

It is unlikely, therefore, that price depression of perchloroethylene in the domestic industry is by reason of alleged LTFV imports. It appears that the decline in prices is at least partly a consequence of oversupply and increasing inventories. The data show that since 1974, producers' inventories have been between three and six times greater than total imports from all three named countries. Such oversupply would pressure an industry into lowering prices regardless of imports.

Conclusion

The best arguments for the domestic industry are that imports from Belgium, France, and Italy have been priced so low that the domestic industry either had to meet the low price or lose sales on a massive basis. They chose the former, and have thus lost profits. All other economic indicators are favorable or neutral, since the domestic industry decided to keep production, shipments, and employment up. And, the petitioners want us to focus on the regional market of the Northeast.

These arguments fail because the evidence available to us suggests oversupply by the domestic industry, with inventory levels greater than alleged LTFV imports, price cutting leadership by certain domestic firms, higher prices and profits by one domestic firm, and lower prices by a domestic firm outside the northeast than within it. Since alleged LTFV imports are sold only in the northeast and mainly in New York City, it is clear that the lower pricing outside the northeast reflects national price battles among domestic competitors and perhaps imports from Canada, which are not alleged to be LTFV. Thus, I cannot see any reasonable indication of injury by reason of LTFV sales. I have looked at these cases both country-by-country and cumulatively, and the picture remains the same.

INFORMATION OBTAINED IN THE INVESTIGATION

Summary

On July 24, 1978, the United States International Trade Commission instituted inquiries Nos. AA1921-Inq.-14, 15, and 16 on perchloroethylene--dutiable under item 429.34 of the TSUS--after receiving advice from Treasury on July 19, 1978, that there is substantial doubt that imports of the subject merchandise from Belgium, France, and Italy alleged to be sold at less than fair value are the cause of present, or likely future, injury to an industry in the United States. Treasury's advice is consequent to a preliminary antidumping investigation it initiated in response to a petition it received on June 16, 1978, from counsel acting on behalf of PPG Industries, Inc., Stauffer Chemical Co., Diamond Shamrock Corp., Vulcan Materials Co., and Dow Chemical U.S.A. The petitioners contend that the importation of perchloroethylene from Belgium, France, and Italy at less than fair value is causing them injury in terms of price suppression and depression, reduced profitability, and underutilization of capacity, particularly in the northeastern region of the United States. In this type of inquiry the Commission must render its determination within 30 days of its receipt of advice from Treasury--in this case by August 18, 1978.

Perchloroethylene is a clear, heavy (1.6 times heavier than water), nonflammable liquid used primarily as a drycleaning and industrial solvent and as an intermediate in the synthesis of other chemicals. Drycleaning consumes more than 75 percent of U.S. perchloroethylene production and imports.

At least seven firms currently produce perchloroethylene within the United States at 10 plant sites, most of which are in Texas and Louisiana. Two firms--Dow Chemical U.S.A. and PPG Industries, Inc.--together account for nearly * * * of U.S. perchloroethylene production and capacity and, like most other U.S. producers, are large, diversified, multinational corporations. One small producer ceased production in March of this year.

There were approximately 15 importers of perchloroethylene in 1977, located primarily in New York. Of these, one firm--Rhodia, Inc.--accounts for * * *, two firms--Thorson Chemical Corp. and Steuber Co., Inc.--account for * * *, and eight firms, including Thorson Chemical Corp., account for * * *. The vast majority of perchloroethylene imported into the United States is produced in the three countries under consideration and Canada.

Data gathered by the Commission indicate a downward trend in the profitability of U.S. producers on their perchloroethylene operations and a stable trend in capacity utilization. Upward trends are evident in the number of production and related workers producing perchloroethylene and in the ratio of inventories to shipments.

As a share of total consumption in the United States, imports of perchloroethylene from Belgium, France, and Italy increased from 2.2 percent in 1974 to 6.1 percent in 1977 and decreased to 4.1 percent in January-June 1978. With respect to consumption in the northeastern region of the United

States, alleged LTFV imports increased from 8.7 percent in 1974 to 27.6 percent in 1977 and fell to 20.8 percent in January-June 1978.

Average weighted prices for perchloroethylene both inside and outside the northeast market have declined substantially since 1976. The proportion of time during which a U.S. producer accounted for the lowest average price increases during the period under consideration. In the aggregate, U.S. producers' prices in the northeast market were lower than importers' prices 33 percent of the time in 1976, 50 percent of the time in 1977, and 67 percent of the time in January-June 1978. The staff confirmed several instances of lost sales.

Introduction

On July 19, 1978, the United States International Trade Commission received advice from the Department of the Treasury that there is substantial doubt that an industry in the United States is being or is likely to be injured by reason of the importation of perchloroethylene from Belgium, France, and Italy that may be sold in the United States at less than fair value (LTFV) within the meaning of the Antidumping Act, 1921, as amended. 1/ Accordingly, on July 24, 1978, the Commission instituted inquiries Nos. AA1921-Inq.-14 (perchloroethylene from Belgium), AA1921-Inq.-15 (perochloroethylene from France), and AA1921-Inq.-16 (perchloroethylene from Italy) under section 201(c) of said act, to determine whether there is no reasonable indication that an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States. By statute, the Commission must render its determination within 30 days of its receipt of advice from Treasury--in this case by August 18, 1978.

In connection with the inquiries, a public hearing was held Washington, D.C., on August 4, 1978. Notice of the institution of the inquiries and the public hearing was given by posting copies of the notice at the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and at the Commission's office in New York City, and by transmitting the original notice to the Federal Register on July 26, 1978. 2/

Treasury's advice is consequent to a preliminary antidumping investigation it initiated in response to a petition it received on June 16, 1978, from counsel acting on behalf of PPG Industries, Inc., Pittsburgh, Pa.; Stauffer Chemical Co., Westport, Conn.; Diamond Shamrock Corp., Cleveland, Ohio; Vulcan Materials Co., Birmingham, Ala.; and Dow Chemical U.S.A., Midland, Mich. 3/ The petitioners contend that the importation of perchloroethylene from Belgium, France, and Italy at LTFV is causing them injury in terms of price suppression and depression, reduced profitability, and underutilization of capacity, particularly in the northeastern region of the United States.

In the event that the U.S. International Trade Commission finds in the affirmative--that there is no reasonable indication that an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of perchloroethylene from Belgium, France, or Italy that may be sold at less than fair value--Treasury's investigation as to the fact or likelihood of sales at LTFV will be terminated. If the Commission finds in the negative, Treasury's investigation will continue. The Commission conducted three antidumping investigations on perchloroethylene from Italy, Japan, and France in September, October, and November of 1972 and

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1/ The Treasury Department's letter of notification to the U.S. International Trade Commission is presented in app. A.

2/ A copy of the Commission's notice of inquiry and hearing is presented in app. B.

3/ The Treasury Department's notice of antidumping proceeding is presented in app. C.

determined negatively (no injury or likelihood thereof) by a 5-0 vote for each of the three countries (investigations Nos. AA1921- 106, 107, and 108).

The Product

Description and uses

Perchloroethylene, commonly referred to as perc, is a clear, heavy (1.6 times heavier than water), non-flammable liquid used primarily as a dry-cleaning and industrial solvent and as an intermediate in the synthesis of other chemicals. Drycleaning consumes more than 75 percent of U.S. perchloroethylene production and imports. Although the trend to wash-and-wear clothing has had an adverse effect on the demand for perchloroethylene in recent years, it has been partially offset by coin-operated drycleaning establishments and an increasing market for the dry cleaning of industrial uniforms and wipe-rags. Because coin-operated machines have less efficient solvent (i.e., perchloroethylene) recovery systems than larger units in professional establishments, they require more perchloroethylene per pound of textiles cleaned.

Industrial cleaning of machinery and metal parts accounts for about 10 percent of U.S. perchloroethylene consumption. By immersing metal parts in a bath of perchloroethylene or by suspending them in a vapor of boiling perchloroethylene, oils and greases may be dissolved and washed away. Perchloroethylene's relatively high boiling point makes it particularly well suited for the removal of heavy greases. For most other industrial cleaning applications, trichloroethylene is preferred over perchloroethylene because it is cheaper and because it leaves the cleaned metal cooler so that it can be handled sooner.

Almost 10 percent of the perchloroethylene manufactured and imported into the United States is consumed in the synthesis of other chemicals, particularly chlorofluorocarbons, which are in turn used as refrigerants and solvents. One of the most promising developments in the demand for perchloroethylene is its use in textile finishing, where it is increasingly being used in place of water in scouring, dyeing, and bleaching fabrics. Industry sources expect this use of perchloroethylene to increase as the textile industry switches from aqueous "open-loop processing" to "closed-loop processing" in order to reduce water pollution.

Perchloroethylene is manufactured in a variety of grades depending upon the use for which it is intended. As initially manufactured, it is quite pure and is used in this grade primarily in the synthesis of other chemicals. For most of perchloroethylene's other uses, stabilizing agents are added to counteract its tendency to decompose. The quantity and type of stabilizing agents added to perchloroethylene determine its grade. Generally, producers manufacture a "drycleaning grade" for the drycleaning industry and an "industrial grade" for metal-cleaning purposes, although even these basic grades are somewhat interchangeable. Frequently, small amounts of detergents, fabric softeners, fabric conditioners, and antistatic agents are also added to perchloroethylene used in drycleaning.

U.S. tariff treatment

Perchloroethylene is dutiable under the provisions of item 429.34 of the Tariff Schedules of the United States (TSUS) at a most-favored-nation rate of 4.5 percent ad valorem. This rate, which has been in effect since January 1, 1969, represents the second of five planned reductions negotiated under the Kennedy Round of the General Agreement on Tariffs and Trade (GATT). The statutory rate of duty is 25 percent ad valorem.

Duty reductions planned for perchloroethylene in 1970 (to 4.0 percent ad valorem), 1971 (to 3.5 percent ad valorem), and 1972 (to 3.0 percent ad valorem) were contingent upon certain duty reductions in the tariff schedules of the European Economic Community (EEC). Because the required reductions have not yet been made effective by the EEC, the U.S. duty rate has remained at the 1969 level. Imports of perchloroethylene are eligible for duty-free treatment under the Generalized System of Preferences.

Nature and Extent of Alleged LTFV Sales

According to the petitioners to Treasury, the home-market prices for perchloroethylene in Belgium, France, and Italy are 13.4 cents, 13.4 cents, and 12.4 cents per pound (f.o.b. tank), respectively; the price to the U.S. market is 9.4 cents, 9.1 cents, and 8.9 cents per pound, respectively; and the LTFV margins are therefore 4 cents per pound for Belgium, 4.3 cents per pound for France, and 3.5 cents per pound for Italy. As calculated by Treasury, the alleged LTFV margins (when divided by the price to the U.S. market) would be 43 percent, 47 percent, and 39 percent for Belgium, France, and Italy, respectively; as calculated by the U.S. International Trade Commission, the LTFV margins (when divided by the home-market price) would be 30 percent, 32 percent, and 28 percent, respectively.

The petitioners calculated home-market prices on the basis of trade sources and the reports of their employees in Europe. In computing the price of Belgian, French, and Italian perchloroethylene to the U.S. market, the petitioners used U.S. Department of Commerce data published in "U.S. General Imports", in conjunction with certain adjustments to provide a more accurate comparison with home market prices. The petitioners provide no claim as to what share of the U.S. perchloroethylene market since 1974 represents LTFV imports and lost sales to U.S. producers.

The Domestic Industry

At least seven firms currently produce perchloroethylene within the United States. Production is centered in 10 plants or manufacturing facilities, all but 3 of which are located in Texas and Louisiana, a consequence of relatively plentiful raw materials (hydrocarbons and salt) in this region. Two firms--Dow Chemical U.S.A. and PPG Industries, Inc.--together account for between * * * percent of U.S. perchloroethylene production and capacity. Most of the U.S. producers, including the above two firms, are large, diversified, multinational corporations, and all manufacture

products other than perchloroethylene. With the exception of one small U.S. producer--Hooker Chemical Co.--which ceased production in March of this year, no firm has ceased production of perchloroethylene since 1972, and there are no known plans to increase capacity or upgrade existing capacity. Hooker reports that its small capacity did not allow it to compete with the relatively lower production costs of the larger producers. After ceasing production of perchloroethylene in 1972, E. I. du Pont de Nemours & Co., Inc. (Du Pont) resumed production in 1973 following its completion of a large chemical manufacturing complex in Corpus Christi, Tex. Those firms that have produced perchloroethylene within the past 5 years and their respective capacities, production, shares of total U.S. capacity, and shares of total U.S. production for 1977 are shown in table 1.

Table 1.--Perchloroethylene: U.S. producers' capacity, production, share of total capacity, share of total production, and production as a share of capacity, by firm, 1977

Firm and plant locations	Annual capacity 1/	Share of total capacity	Annual production	Share of total production	1977 production as a share of capacity
	Million pounds	Percent	Million pounds	Percent	Percent
Dow Chemical U.S.A., Freeport, Texas, Pittsburg, La., Plaquemine, La	***	***	***	***	***
PPG Industries, Inc., Lake Charles La	***	***	***	***	***
Vulcan Materials Co., Geismar, La., Wichita, Kansas	***	***	***	***	***
Diamond Shamrock Corp., Deer Park, Texas	***	***	***	***	***
DuPont Inc., Corpus Christi, Texas	***	***	***	***	***
Stauffer Chemical Co., Louisville, Ky	***	***	***	***	***
Ethyl Corp., Baton Rouge, La	***	***	***	***	***
Hooker Chemical Co., Tacoma, Wash., Taft, La	***	***	***	***	***
Total	1,171	100.0	672	100.0	57.4

1/ Based on average product mix during 1976 and 1977, allowance for anticipated maintenance and down-time, three shifts per day, 7 days per week.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

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There were approximately 15 importers of perchloroethylene in 1977, located primarily in New York. Of these, one firm--Rhodia, Inc.--accounts for * * *, two firms--Thorson Chemical Corp. and Steuber Co., Inc.--account for * * *, and eight firms, including Thorson Chemical Corp. and Steuber, account for * * *.

After producing or importing perchloroethylene, a firm may consume the product itself in the synthesis of other chemicals, sell it to another producer or importer, sell it an end user, or sell it to a distributor. U.S. producers consume approximately 20 percent of all the perchloroethylene they produce in the United States. * * * , * * * accounts for * * * of what the producers consume. By far the greatest amount of perchloroethylene, whether produced domestically or imported, is sold through distributors which specialize in supplying the needs of specific industries. Perchloroethylene for use in the dry cleaning industry is sold through several hundred distributors which sell cleaning and packaging supplies to commercial drycleaners. Similarly, perchloroethylene for use in metal cleaning applications is sold through a large number of distributors which sell various cleaning products to the automotive, electronic, and other metal-fabricating industries. Perchloroethylene for use in the manufacture of other chemicals, when not consumed internally, is sold directly to the end users.

Imports of perchloroethylene from Belgium, France, and Italy have a disproportionate impact in the northeastern region of the United States. In 1976 and 1977 approximately 293 million pounds of perchloroethylene from all sources were consumed in the northeast market--roughly consisting of New England and the States of New York, New Jersey, and Pennsylvania; of that amount 29 percent were alleged LTFV imports. The ratio of Belgian, French, and Italian imports to consumption for the United States as a whole during this period was about 6 percent.

Tables 2 and 3 show U.S. producers' shipments and shipments to the northeast market, exports, total imports and imports into the northeast market, and apparent consumption for recent periods.

Foreign Producers

The vast majority of perchloroethylene imported into the United States is produced in Canada, Belgium, France, and Italy. In 1977, these countries accounted for 32 percent, 23 percent, 22 percent, and 24 percent, respectively, of a total of about 60 million pounds of perchloroethylene imports. Other significant sources of perchloroethylene in the past 4 years have included West Germany and Japan. Table 4 shows U.S. imports of perchloroethylene, by sources, during 1974-77, January-June 1977, and January-June 1978. At least one firm in Belgium, three firms in France, and three firms in Italy produce perchloroethylene. Their respective capacities are unknown.

Table 2.--Perchloroethylene: U.S. producers' shipments, imports, exports of domestic merchandise, and apparent consumption, 1974-77, January-June 1977, and January-June 1978

Period	U.S. producers' shipments	Imports						Exports	Apparent consumption	Ratio of imports to consumption					
		Alleged LTFV imports				From all others	Total			Alleged LTFV imports				From all others	Total imports
		From Belgium	From France	From Italy	Subtotal					From Belgium	From France	From Italy	Subtotal		
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Percent	Percent	Percent	Percent	Percent	Percent
1974	711.8	1.3	14.1	0	15.4	8.2	23.6	28.8	706.6	0.2	2.0	0	2.2	1.2	3.3
1975	626.2	6.9	12.9	0	19.8	17.7	37.5	53.7	610.0	1.1	2.1	0	3.2	2.9	6.1
1976	649.5	13.0	20.9	11.5	45.4	16.8	62.2	41.9	669.8	1.9	3.1	1.7	6.8	2.5	9.3
1977	647.8	13.6	13.1	14.1	40.8	19.0	59.8	43.8	663.8	2.0	2.0	2.1	6.1	2.9	9.0
Jan.-June--															
1977	306.7	8.8	6.1	9.8	24.7	8.9	33.6	23.0	317.3	2.8	1.9	3.1	7.8	2.8	10.6
1978	354.0	2.9	7.9	3.7	14.5	11.3	25.8	25.9	353.9	0.8	2.2	1.0	4.1	3.2	7.2

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and official statistics of the U.S. Department of Commerce.

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Table 3.--Percholoroethylene: U.S. producers' shipments to the northeast market (NE) market, NE market's imports, and apparent consumption, 1974-77, January-June 1977, and January-June 1978

Period	Producers' shipments to NE market	NE market's imports 1/				Apparent consumption	Ratio of NE market's imports to ne consumption			
		From Belgium	From France	From Italy	Total		From Belgium	From France	From Italy	Total
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Percent	Percent	Percent	Percent
1974	161.6	1.3	14.1	-	15.4	177.0	0.7	8.0	-	8.7
1975	117.5	6.9	12.9	-	19.8	137.3	5.0	9.4	-	14.4
1976	99.8	13.0	20.9	11.5	45.4	145.2	9.0	14.4	7.9	31.3
1977	107.1	13.6	13.1	14.1	40.8	147.9	9.2	8.9	9.5	27.6
January-June										
1977	50.8	8.8	6.1	9.8	24.7	75.5	11.7	8.1	13.0	32.7
1978	55.1	2.9	7.9	3.7	14.5	69.6	4.2	11.4	5.3	20.8

1/ Imports from Belgium, France, and Italy account for virtually all imports entering through the NE market.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and official statistics of the U.S. Department of Commerce.

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Table 4.--Perchloroethylene: Imports, by sources, 1974-77, January-June 1977, and January-June 1978

Source	1974	1975	1976	1977	January-June-- 1977	January-June-- 1978
	Quantity (million pounds)					
Belgium	1.3	6.9	13.0	13.6	8.8	2.9
France	14.1	12.9	20.9	13.1	6.1	7.9
Italy	-	-	11.5	14.1	9.8	3.7
Canada	2.0	-	6.2	19.1	8.9	7.5
Other	6.2	17.7	10.6	-	-	3.8
Total	23.6	37.5	62.2	59.9	33.6	25.8
	Percentage distribution, by quantity					
Belgium	5.5	18.3	20.9	22.7	26.2	11.2
France	59.7	34.4	33.5	21.8	18.1	30.6
Italy	-	-	18.5	23.6	29.2	14.4
Canada	8.4	-	10.0	31.9	26.5	29.1
Other	26.4	47.0	17.1	0.0	-	14.7
Total	100.0	100.0	100.0	100.0	100.0	100.0
	Value (1,000 dollars) 1/					
Belgium	98	681	1,331	1,446	1,005	236
France	1,447	1,421	2,271	1,295	632	792
Italy	-	-	1,278	1,434	1,033	369
Canada	178	-	994	2,982	1,397	1,129
Other	531	1,973	1,104	4	-	380
Total	2,254	4,075	6,978	7,161	4,147	2,906
	Percentage distribution, by value					
Belgium	4.3	16.7	19.1	20.2	24.7	8.1
France	64.2	34.9	32.5	18.1	15.5	27.3
Italy	-	-	18.3	20.0	25.4	12.7
Canada	7.9	-	14.3	41.6	34.3	38.8
Other	23.6	48.4	15.8	0.1	-	13.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

See footnotes at end of table.

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Table 4.--Perchloroethylene: Imports, by sources, 1974-77, January-June 1977, and January-June 1978--Continued

Source	1974	1975	1976	1977	January-June--	
					1977	1978
	Unit value (cents per pound)					
Belgium	7.6	9.9	10.2	10.6	11.4	8.1
France	10.3	11.0	10.9	9.9	10.4	10.0
Italy	-	-	11.1	10.2	10.5	10.0
Canada	9.0	-	15.9	15.6	15.7	15.1
Other	8.5	11.2	10.4	21.0	-	10.0
Total	9.6	10.9	11.2	12.0	12.3	11.3

1/ Customs import value.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Capacity Utilization

Capacity utilization for U.S. producers of perchloroethylene is shown in table 5. After falling slightly from 62 percent in 1974 to 57 percent in 1975, a recession year, capacity utilization remained relatively stable through January-June 1978. The data show a slight increase in January-June 1978 in comparison with the corresponding period of 1977.

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Table 5.--Perchloroethylene: U.S. production, producers' capacity, and capacity utilization, 1974-77, January-June 1977, and January-June 1978

Period	Production	Capacity 1/	Capacity utilization
	Million pounds	Million pounds	Percent
1974	720.7	1,171.0	61.6
1975	667.9	1,171.0	57.0
1976	683.2	1,171.0	58.3
1977	671.6	1,171.0	57.4
January-June--			
1977	306.0	585.5	52.3
1978	331.4	575.5	57.6

1/ Based on average product mix during 1977 and 1978 and operating facilities at 3 shifts a day, 7 days a week, with allowance for anticipated maintenance and downtime.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

U.S. Employment

Employment of production and related workers in the production of perchloroethylene is presented in table 6. The data indicate that the average number of production and related workers increased from 434 in 1974 to 449 in January-June 1978.

Table 6.--Perchloroethylene: Average number of production and related workers engaged in the production of perchloroethylene, 1974-77, January-June 1977, and January-June 1978

Period	Production and related workers 1/
	Number
1974	434
1975	428
1976	444
1977	445
January-June--	
1977	441
1978	449

1/ Does not include Hooker Chemical.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

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Financial Performance of Domestic Producers

Selected data indicative of the aggregate financial performance of U.S. producers on their perchloroethylene operations, as summarized in table 7, reveal a deteriorating trend since 1974. The ratio of net operating profit or loss to net sales has declined from 39.5 percent in 1974 to a loss of 9.5 percent in January-June 1978. Table 7 also compares net operating profits with fixed assets. Selected data regarding the financial performance of individual perchloroethylene producers are reported in table 8. Only * * * producers--* * *--reported profits on their perchloroethylene operations for 1977 and January-June 1978.

Table 7.--Selected financial data for U.S. producers of perchloroethylene on their perchloroethylene operations, 1974-77 and January-June 1978 1/

Item	1974	1975	1976	1977	January-June--1978
Net sales of perchloroethylene 2/ 1,000 dollars	70,231	77,842	75,202	60,127	26,649
Net operating profit 2/----do-----	27,718	24,027	13,359	(958)	(2,525)
Ratio of net operating profit to net sales----------percent--	39.5	30.9	17.8	(1.6)	(9.5)
Ratio of net operating profit to fixed assets (cost less depreciation)---do---	93.6	71.6	34.8	(2.2)	(5.2)
Ratio of net operating profit to fixed assets (cost)----------do---	42.0	33.1	16.3	(1.1)	(2.7)
Ratio of net operating profit to fixed assets (replacement cost) 3/------do---	39.6	29.1	13.6	(0.9)	(2.1)

1/ Data for DuPont and Hooker Chemical were not available.
2/ Includes inter/intracompany transfers.
3/ Does not include PPG Industries or Stauffer.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

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Table 8.--Selected financial data for U.S. producers of perchloroethylene on their perchlorethylene operations, by firms, 1974-77 and January-June 1978 1/

Firm	1974	1975	1976	1977	January-June--1978
	Net sales (1,000 dollars) 2/				
Dow Chemical	***	***	***	***	***
PPG Industries	***	***	***	***	***
Vulcan	***	***	***	***	***
Diamond Shamrock	***	***	***	***	***
Stauffer	***	***	***	***	***
Ethyl	***	***	***	***	***
Total	70,231	77,842	75,202	60,127	26,649
	Net profit or (loss) (1,000 dollars) 2/				
Dow Chemical	***	***	***	***	***
PPG Industries	***	***	***	***	***
Vulcan 3/	***	***	***	***	***
Diamond Shamrock	***	***	***	***	***
Stauffer	***	***	***	***	***
Ethyl	***	***	***	***	***
Total	27,718	24,027	13,359	(958)	(2,525)
	Ratio of net profit or (loss) to net sales (percent)				
Dow Chemical	***	***	***	***	***
PPG Industries	***	***	***	***	***
Vulcan	***	***	***	***	***
Diamond Shamrock	***	***	***	***	***
Stauffer	***	***	***	***	***
Ethyl	***	***	***	***	***
Total	39.5	30.9	17.8	(1.6)	(9.5)

1/ Data for DuPont and Hooker Chemical were not available.
2/ Includes inter/intracompany transfers.
3/ Gross profit.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

U.S. Producers' Inventories

Yearend inventories for U.S. producers of perchloroethylene are shown in table 9. As a share of shipments, inventories of perchloroethylene have increased in each calender year since 1974, but at a decreasing rate. The ratio of inventories to shipments for June 30, 1978, were slightly lower than

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that for June 30, 1977. Approximately * * * the inventories since 1975 are accounted for by * * *.

Table 9.--Perchloroethylene: U.S. producers' inventories as of December 31 of 1974-77, June 30, 1977, and June 30, 1978

Date	Inventory	Inventories as a share of shipments during the preceding 12-month or 6-month period
	Million pounds	Percent
December 31 of--		
1974	67.7	9.5
1975	109.4	17.5
1976	143.1	22.0
1977	166.9	25.8
June 30 of--		
1977	150.2	1/ 24.8
1978	152.1	1/ 21.5

1/ Based on shipments during the preceding 6-month period at an annual rate.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

U.S. Consumption and Market Penetration

After falling significantly from 1974 to 1975, apparent consumption of perchloroethylene increased to 94 percent of its 1974 level in 1977. From 707 million pounds in 1974, apparent consumption in the United States fell to 610 million pounds in 1975, increased to 670 million pounds in 1976, and fell slightly to 664 million pounds in 1977. Data for January-June 1978 show that consumption increased 12 percent over that in the corresponding period of 1977. As a share of consumption, imports of perchloroethylene from Belgium, France, and Italy increased from 2.2 percent in 1974 to 6.8 percent in 1976, declining to 6.1 percent in 1977 (table 2). The ratio of imports from these countries to apparent consumption declined again in January-June 1978 from the corresponding period of 1977. Except that the ratios of imports to consumption for Belgium and Italy increased slightly in 1977 from 1976, and for France increased slightly in January-June 1978 from January-June 1977, the data for the individual countries in question reflect the trends for the aggregate.

From 177 million pounds in 1974, apparent consumption in the northeast market fell to 137 million pounds in 1975, increasing to 148 million pounds in 1977 (table 3). Data for January-June 1978 show that consumption decreased 8 percent from that in the corresponding period of 1977. As a share of consumption in the northeast market, imports from Belgium, France, and Italy

increased from 8.7 percent in 1974 to 31.3 percent in 1976, declined to 27.6 percent in 1977, and declined again to 20.8 percent in January-June 1978.

Prices

Producers and importers were asked to report, on a bimonthly basis, prices and quantities of drycleaning grade perchloroethylene shipped to their three principal customers (distributors) in the northeast market between January-February 1976 and May-June 1978. From this information, an average weighted price per pound for each firm for each 2-month period was calculated, the results of which appear in table 10. The data show that average weighted prices in the northeast market declined from a high of 15.4 cents per pound in January-February 1976 (* * *) to a low of 8.5 cents per pound in May-June 1978 (* * *). With the exception of three bimonthly periods between January-February 1976 and May-June 1978, the lowest prices are equally accounted for by either * * * or * * *. The other lowest prices are accounted for by * * * (January-February and March-April 1976) and * * * (January-February 1978). * * * weighted average prices in the northeast market were significantly lower than those of any other * * * in every bimonthly period except one since January-February 1976 and were significantly lower than those of any * * * except * * * since July-August 1976. According to table 10, the proportion of time * * * accounts for the lowest average price increases during the period under consideration. The proportion of time during which U.S. producers showed a lower aggregate weighted average price also increases. In the aggregate, U.S. producers' prices in the northeast market were lower than those of importers 33 percent of the time in 1976, 50 percent of the time in 1977, and 67 percent of the time in January-June 1978. Average weighted prices of drycleaning grade perchloroethylene shipped by U.S. producers to principal customers (distributors) outside of the northeast market will also calculated (table 11). The data show that at least two U.S. producers' weighted average prices outside of the northeast market were * * * in every bimonthly period from September-October 1977 through May-June 1978. In every bimonthly period since November-December 1977, one U.S. producer--* * *--has had a * * * inside or outside the northeast market.

In addition to weighted average price per pound, average value per pound was calculated on the basis of the value and quantity of perchloroethylene shipped in the United States by U.S. producers and importers. The results are shown in table 12. With the exception of 1976, the average value per pound for U.S. producers' total shipments to the northeast market was lower than the corresponding value for importers' shipments by 0.5 cent (1977) to 2.9 cents (1974). This margin is substantial in view of the quantities shipped. Average unit values of U.S. producers' shipments outside the northeast market are also presented in table 12, revealing lower average values for producers relative to importers in 1974, 1975, and 1978.

The average value per pound of perchloroethylene shipped by U.S. producers has continued to decline since 1974 despite increases in average unit production costs. While the average value per pound fell by 10 percent, or by 1 cent per pound, between 1974 and January-June 1978, average production costs per pound rose by 83 percent, or by 4.8 cents per pound. U.S.

producers' average unit production costs and average unit selling prices for domestic sales of perchloroethylene, by firm, for 1974 through January-June 1978 are shown in table 13.

The decline in perchloroethylene prices is at least partly a consequence of the increase in U.S. producers' inventories. Producers' inventories have been between three and six times greater than total imports from Belgium, France and Italy in each year since 1974. If inventories are reduced and shipments enlarged by an amount equivalent to alleged LTFV imports for each year of the 4-year period under consideration, inventories still increase both absolutely and as a percentage of shipments. Such conditions are indicative of an oversupplied market and would pressure members of the industry to lower prices regardless of imports.

Table 10.--Drycleaning grade perchloroethylene: Average weighted prices 1/ of U.S. producers and importers to respective principal customers (distributors) in Northeast market, bimonthly, January-February 1976-May-June 1978

(In cents per pound)

Period	Dow Chemical	PPG Industries	Ethyl	Stauffer	All reporting U.S. producers 2/	Rhodia (France)	Montedison U.S.A. (Italy)	Thorson (Belgium & Italy)	Steuber (Belgium Italy)	All reporting importers 3/
1976:										
January-February	***	***	***	***	14.2	***	***	***	***	14.5
March-April	***	***	***	***	14.4	***	***	***	***	13.7
May-June	***	***	***	***	14.3	***	***	***	***	13.4
July-August	***	***	***	***	13.9	***	***	***	***	14.1
September-October	***	***	***	***	13.9	***	***	***	***	12.9
November-December	***	***	***	***	13.8	***	***	***	***	12.8
1977:										
January-February	***	***	***	***	13.9	***	***	***	***	14.3
March-April	***	***	***	***	12.9	***	***	***	***	12.6
May-June	***	***	***	***	12.3	***	***	***	***	12.0
July-August	***	***	***	***	10.7	***	***	***	***	10.9
September-October	***	***	***	***	10.7	***	***	***	***	11.0
November-December	***	***	***	***	10.5	***	***	***	***	9.7
1978:										
January-February	***	***	***	***	9.4	***	***	***	***	10.6
March-April	***	***	***	***	9.5	***	***	***	***	9.5
May-June	***	***	***	***	9.1	***	***	***	***	9.7

1/ Weighted on the basis of quantity sold.
2/ Pricing data were not received from Hooker or Diamond Shamrock; * * *.
3/ The importers listed account for * * *.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

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Table 11.--Drycleaning-grade perchloroethylene: Average weighted prices 1/ of U.S. producers to respective principal customers (distributors) outside of the northeast market, bimonthly, January-February 1976-May-June 1978

(In cents per pound)

Period	Dow Chemical	PPG Industries	Stauffer	All reporting U.S. producers 2/
1976:				
January-February	***	***	***	14.4
March-April	***	***	***	14.5
May-June	***	***	***	14.5
July-August	***	***	***	14.6
September-October	***	***	***	14.4
November-December	***	***	***	13.9
1977:				
January-February	***	***	***	13.4
March-April	***	***	***	13.0
May-June	***	***	***	12.2
July-August	***	***	***	10.9
September-October	***	***	***	10.6
November-December	***	***	***	10.4
1978:				
January-February	***	***	***	9.8
March-April	***	***	***	9.1
May-June	***	***	***	8.7

1/ Weighted on the basis of quantity sold.

2/ Pricing data for Hooker, Ethyl, and Diamond Shamrock are not available; DuPont * * *.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

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Table 12.--Average unit values of perchloroethylene shipped by U.S. producers and importers of Belgian, French, and Italian perchloroethylene to northeast (NE) market, 1974-77, and January-June 1978

Year	Shipped by U.S. producers to NE market		Shipped by importers to NE market		Shipped by U.S. producers to other than NE market	
	Unit value	Quantity shipped 1/	Unit value	Quantity shipped 1/	Unit value	Quantity shipped 1/
	Cents per pound	Million pounds	Cents per pound	Million pounds	Cents per pound	Million pounds
1974	10.2	137.3	13.1	15.4	10.9	449.9
1975	13.2	99.2	14.1	17.6	13.9	379.8
1976	13.9	82.5	13.2	50.1	14.1	366.2
1977	11.1	87.6	11.9	38.0	12.1	328.7
January-June 1978	9.3	47.8	9.8	14.1	9.6	186.1

1/ Quantity on which unit values could be based.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

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Table 13.--Perchloroethylene: U.S. producers' average unit production costs and average unit selling prices for domestic sales, by firms, 1974-77 and January-June 1978

(In cents per pound)

Firm	1974	1975	1976	1977	January-June 1978
	Average production cost 1/				
Dow Chemical	***	***	***	***	***
PPG Industries	***	***	***	***	***
Vulcan	***	***	***	***	***
Diamond Shamrock	***	***	***	***	***
Stauffer	***	***	***	***	***
Ethyl	***	***	***	***	***
Average	5.8	9.4	11.0	11.7	10.6
	Average selling price 1/				
Dow Chemical	***	***	***	***	***
PPG Industries	***	***	***	***	***
Vulcan	***	***	***	***	***
Diamond Shamrock	***	***	***	***	***
Stauffer	***	***	***	***	***
Ethyl	***	***	***	***	***
Average	10.5	13.6	14.0	11.9	9.5

1/ Weighted by quantity sold.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Lost Sales

* * *, * * *, and * * * cited instances of lost sales to Belgian, French, and/or Italian perchloroethylene, providing dates, customer information, quantities, and values. * * *, too, reported that sales had been lost, but was unable to provide specific data in the time available. Between January 1976 and June 1978, * * *, * * *, and * * * cite lost sales totaling more than 44 million pounds. Of those purchasers identified by the producers that the Commission contacted, all verified that they had purchased perchloroethylene from Belgium, France, and/or Italy on occasion in lieu of perchloroethylene offered by U.S. producers. Most indicated that price was their primary reason for purchasing imported perchloroethylene; however, they also stated that U.S. producers had initiated the downward price trend that occurred in the last 2 years. Several mentioned that the current domestic price was below that of imported material, although imported perchloroethylene had previously been available to them at * * * to * * * cent per pound below domestic merchandise.

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Appendix A

Treasury Department's letter of notification to the U.S. International Trade Commission

THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

JUL 17 1978 '78 JUL 19 AM 10:53

Dear Mr. Chairman:

In accordance with section 201(c) of the Antidumping Act of 1921, as amended, an antidumping investigation is being initiated with respect to perchlorethylene from Belgium, France and Italy. Pursuant to section 201(c)(2) of the Act, you are hereby advised that the information developed during our preliminary investigation has led me to the conclusion that there is substantial doubt that an industry in the United States is being, or is likely to be, injured by reason of the importation of this merchandise into the United States.

The bases for my determination are summarized in the attached copies of the Antidumping Proceeding Notices in this case. Additional information will be provided by the U.S. Customs Service.

Some of the information involved in this case is regarded by Treasury to be of a confidential nature. It is therefore requested that the Commission consider all the information provided for its investigation to be for the official use of the ITC only, not to be disclosed to others without prior clearance from the Treasury Department.

Sincerely,

Henry C. Stockell, Jr.
Acting General Counsel

The Honorable
Joseph O. Parker, Chairman
U.S. International Trade
Commission
Washington, D.C. 20436

Enclosures

MOTION DOCKET NUMBER
#526
Office of the Secretary
Int'l Trade Commission

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Appendix B

Notice of Commission's Inquiry and Hearing

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

[AA1921-Inq.-14, AA1921-Inq.-15, and AA1921-Inq.-16]

PERCHLOROETHYLENE FROM BELGIUM,
FRANCE AND ITALY

Notice of Inquiry and Hearing

The United States International Trade Commission (Commission) received advice from the Department of the Treasury (Treasury) on July 19, 1978, that, during the course of determining whether to institute investigations with respect to perchloroethylene from Belgium, France, and Italy in accordance with section 201(c) of the Antidumping Act, 1921, as amended (19 U.S.C. 160(c)), Treasury had concluded from the information developed during its preliminary investigations that there is substantial doubt that an industry in the United States is being or is likely to be injured by reason of the importation of this merchandise into the United States. Therefore, the Commission on July 24, 1978, instituted inquiries AA1921-Inq.-14, AA1921-Inq.-15, and AA1921-Inq.-16, under section 201(c)(2) of that act, to determine whether there is no reasonable indication that an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

The Treasury advised the Commission as follows:

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Dear Mr. Chairman:

In accordance with section 201(c) of the Antidumping Act of 1921, as amended, an antidumping investigation is being inititated with respect to perchlorethylene from Belgium, France and Italy. Pursuant to section 201(c)(2) of the Act, you are hereby advised that the information developed during our preliminary investigation has led me to the conclusion that there is substantial doubt that an industry in the United States is being, or is likely to be, injured by reason of the importation of this merchandise into the United States.

The bases for my determination are summarized in the attached copies of the Antidumping Proceeding Notices in this case. Additional information will be provided by the U.S. Customs Service.

Some of the information involved in this case is regarded by Treasury to be of a confidential nature. It is therefore requested that the Commission consider all the information provided for its investigation to be for the official use of the ITC only, not to be disclosed to others without prior clearance from the Treasury Department.

Sincerely,

s/ Henry C. Stockell, Jr.
Acting General Counsel

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Hearing. A public hearing in connection with the inquiries will be held in Washington, D.C., on Friday, August 4, 1978, at 10:00 a.m., E.D.T. The hearing will be held in the Hearing Room, United States International Trade Commission Building, 701 E Street, NW., Washington, D.C. All parties will be given an opportunity to be present, to produce evidence, and to be heard at such hearing. Requests to appear at the public hearing should be received in writing in the office of the Secretary to the Commission not later than noon Monday, July 31, 1978.

Written statements. Interested parties may submit statements in writing in lieu of, and in addition to, appearance at the public hearing. A signed original and nineteen true copies of such statements should be submitted. To be assured of their being given due consideration by the Commission, such statements should be received not later than Friday, August 4, 1978.

By order of the Commission.

Kenneth R. Mason
Secretary

Issued: July 26, 1978

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Appendix C

Treasury Department's notice of antidumping proceeding

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4810-22

DEPARTMENT OF THE TREASURY
OFFICE OF THE SECRETARY

PERCHLORETHYLENE FROM BELGIUM

ANTIDUMPING PROCEEDING NOTICE

AGENCY: U.S. Treasury Department

ACTION: Initiation of Antidumping Investigation

SUMMARY:

This notice is to advise the public that a petition in proper form has been received and an antidumping investigation is being initiated for the purpose of determining whether imports of perchlorethylene from Belgium are being, or are likely to be, sold at less than fair value within the meaning of the Antidumping Act of 1921, as amended. There appears to be substantial doubt that imports of the subject merchandise at less than fair value are the cause of present, or likely future, injury to an industry in the United States. Therefore, the case is being referred to the U.S. International Trade Commission for a preliminary injury determination.

EFFECTIVE DATE:

(Date of publication in the Federal Register).

FOR FURTHER INFORMATION CONTACT:

Michael E. Crawford, Operations Officer, U.S. Customs Service, Office of Operations, Duty Assessment

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Division, Technical Branch, 1301 Constitution Avenue, N.W., Washington, D.C. 20229, telephone (202) 566-5492.

SUPPLEMENTARY INFORMATION:

On June 16, 1978, a petition was received in proper form pursuant to sections 153.26 and 153.27, Customs Regulations (19 CFR 153.26, 153.27), from counsel on behalf of PPG Industries, Inc., Pittsburgh, Pennsylvania, Stauffer Chemical Company, Westport, Connecticut, Diamond Shamrock Corporation, Cleveland, Ohio, Vulcan Materials Company, Birmingham, Alabama and Dow Chemical U.S.A., Midland, Michigan, alleging that perchlorethylene from Belgium is being, or is likely to be, sold at less than fair value within the meaning of the Antidumping Act of 1921, as amended (19 U.S.C. 160 et seq.) (referred to in this notice as the "Act").

For purposes of this notice, "perchlorethylene" means perchlorethylene, including technical grade perchlorethylene and purified grade perchlorethylene, provided for in item number 429.3400 of the Tariff Schedules of the United States.

The margin of dumping alleged, based on a comparison of sales to the U.S. with prices in the home market, is approximately 43 percent.

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There is evidence on record concerning injury or likelihood of injury to the U.S. industry from the alleged less than fair value imports. However, sales data for the five petitioners show an overall decrease in 1977 when compared to 1975, but an increase over sales for 1976. More important is the fact that a single company among the petitioners accounts for almost all of the decrease. This company had been producing at a level high above the industry average in these two earlier years. Its return to average capacity utilization rates has greatly influenced the downward trend of the information presented to indicate injury.

Sales reports, filed with the petition, show that customers in the United States buy both imported and domestic perchlorethylene on a regular basis. One report indicated that an extremely low price had been offered, but the price was based on high volume sales and the furnishing of storage facilities by the purchasers. These factors could result in substantial savings to the seller. The petitioners' claim of regional injury is based solely on the fact that most imports enter the United States through ports of the northeast. However, this fact does not indicate where the merchandise is actually sold. No direct evidence of lost sales has been provided.

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Profitability figures present an uneven basis for comparison and analysis. Two companies present data for their entire chemical business, thus making it impossible to judge the impact of imports on perchlorethylene sales; the data from the other companies also raise doubts about their usefulness.

The production of perchlorethylene has been relatively stable for the last three years; the fact that these figures are less than the 1974 amount is not significant because that was an unusually good year for the industry. Perchlorethylene is made primarily with chlorine; the latter is produced in a chemical process that also yields caustic soda. Unusually strong demand for caustic soda in 1974 resulted in large amounts of chlorine and chlorine-based products becoming available.

On the basis of such evidence, it has been concluded that there is substantial doubt of injury or likelihood of injury to an industry in the United States by virtue of such imports from Belgium. Accordingly, the U.S. International Trade Commission is being advised of such doubt pursuant to section 201(c)(2) of the Act (19 U.S.C. 160(c)(2)).

Having conducted a summary investigation as required by section 153.29 of the Customs Regulations (19 CFR 153.29), and having determined as a result thereof that

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there are grounds for so doing, the U.S. Customs Service is instituting an inquiry to verify the information submitted and to obtain the facts necessary to enable the Secretary of the Treasury to reach a determination as to the fact or likelihood of sales at less than fair value. Should the International Trade Commission, within 30 days of receipt of the information cited in the preceding paragraph, advise the Secretary that there is no reasonable indication that an industry in the United States is being or is likely to be injured by reason of the importation of such merchandise into the United States, this investigation will be terminated. Otherwise, the investigation will continue to conclusion.

This notice is published pursuant to section 153.30 of the Customs Regulations (19 CFR 153.30).

/s/ Henry C. Stockell, Jr.

Acting General Counsel of the Treasury
Henry C. Stockell, Jr.

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Appendix D

Probable Economic Effects of Tariff changes under Title I
and Title V of the Trade Act of 1974 for Trade
Agreement Digest No. 10224 , July 1975.

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